

SLIDE 1: AGENDA

- Thank you for having us here today to present the committee.
- The equation for running a city is simple. A well run city must focus on four main tenets; Public Safety; Quality Basic Services which includes Infrastructure; Transparency; and Economic Development.
- Today our focus will be discussing Infrastructure and the City's plans for Fair Share funding.
 - The Fair Share deal will bring about 202 million dollars of funding over the next five years dedicated to our drainage, maintenance, and power.
 - This was a critical FIRST STEP on the path to addressing the City's vital infrastructure needs.
- I would like to start today's presentation by providing the committee with a brief overview of a few key pieces of the City's financial landscape that relate to infrastructure

SLIDE 2: CITY FINANCIAL LANDSCAPE

SLIDE 3: ONE-TIME REVENUES USED FOR RECURRING EXPENSES

- In 2018, the City received \$67M in one time revenues, which accounted for approximately 9.5% of total revenues.
- In 2019 our Administration worked to replace one-time revenue sources with recurring revenue sources
- The 2019 budget saw an increase of \$17M in recurring revenue and a decrease of \$20M in one-time revenue

SLIDE 4: INCOMING CHALLENGES

- With one-time revenues making up such a significant portion of prior budgets, these revenues were used to fund recurring expenses including employee pay raises, ongoing infrastructure maintenance, and other administration priorities
 - For example, the \$13.2M police pay raises, was paid for by one-time funding from the World Trade Center Lease Payments.
- The City is working to find approximately **\$20** in recurring revenue to fund expenses that were previously funded in full or part by one-time revenue sources.

Inherited Mandated Expenses - TOTAL: \$19.7M-\$21.7M

| Expense | Cost | Recurrence Timeline |
|--|------------|---------------------|
| Police Pay Increases | \$13.2M | Perpetual |
| NOMERS Pension Settlement Payment | \$800K | 4 years |
| Legacy Lawsuits | \$939K | 3 years |
| Employee Education Pay Incentive (Phase 7 of Pay Plan) | \$799K | Perpetual |
| Employee Merit Pay Increases | \$2M -\$4M | Perpetual |
| Public Safety Radio Lease Payments | \$2M | 3 to 4 years |

- The City is also facing a number of potential unknown potential expense that may need to be incorporated into future budgets.

Unknown Potential Expenses (NOT ON SLIDE)

| Expense | Cost |
|---|----------------|
| DDD Lawsuit | TBD |
| Sheriff (Operations and Medical Services) | \$3M to \$6M |
| Criminal District Court (Decrease in Self-Generated Revenues) | \$1.4M |
| School Board Pension | TBD |
| Youth Study Center Expansion | \$3M to \$3.5M |
| City Council Priorities from 2019 Budget | \$3.8M |

SLIDE 5: ONGOING FINANCIAL AND OPERATIONAL INITIATIVES

- The City is program rich but systems poor. We will continue to look for innovative solutions to stabilize and diversify the City's funding sources.

- The Administration has already undertaken efforts to improve the operational and financial capacities of the City
- Financial Initiatives
 - The City will continue to shift capital expenses from the operating budget to the capital budget. This frees up vital general funds dollars.
 - We have evaluated and diversified the City's funding streams through bond sales
 - We have to be intentional about thinking long term
 - Better Management of Reserve Funding
 - One of the administration's priorities is to continue to grow the fund balance from its current balance of about 5% of expenses to 10%
 - This will put this City on surer financial footing, and will allow the City to continue to responsibly plan for the uncertainties of the future
 - We recently assessed the City's investment portfolio and diversified our investments that have netted over a million on returns this fiscal year

- Operational Initiatives
 - Zero-Based Budgeting (ZBB) will allow the City to examine our budget at the line item level and allow Departments to operate with a business mindset – eliminating inefficiencies and improving the quality and scope of services
 - We are currently in the process of implementing a new Enterprise Resource Planning (ERP) System which will allow the City to use integrated applications to manage our operations and automate many back office functions related to technology, services, and human resources allowing each level of manager to more effectively run their operation
 - We have begun working with Public Safety Agencies to analyze their current shift deployment strategies to ensure that they are maximizing resources and leveraging best practices
 - The Internal Audit Division was re-established to improve the City of New Orleans' delivery of services to its citizens by bringing a systematic, disciplined approach to evaluate compliance with laws, ordinances, policies, and regulations set forth by the Mayor, City Council, State and Federal Governments

- Most importantly we are increasing responsibility and accountability among City leaders and spending significant amounts of time focusing on change management plans.

SLIDE 6: 5 YEAR REC PLANNING

- In order to fund both our inherited obligations, as well as any potential unknown recurring expenses sustainably, the roll forward of the millage rate was presented in the 5 Year Planning Table at the October 2018 Revenue Estimating Conference

SLIDE 7: 5 YEAR REC PLANNING (cont'd)

- Even with the potential roll forward, the inherited obligations we have, lead to a projected negative fund unassigned fund balance until after 2023.

SLIDE 8: 2020 BOND STRATEGY

- On Thursday, City Council will vote on ballot language that if approved by voters, will allow the City to sell approximately \$500 million in General Obligation bonds over the next 3 to 4 years

- The \$500 million from the general obligation bond sales (planned over 3-4 years) will be used for payment of long-term capital projects like roads, street, bridges, public safety equipment, affordable housing, and the like.

SLIDE 9: 3 MILLS FOR MAINTENANCE

- On Thursday, City Council will also vote on ballot language that if passed by voters will levy 3 mills to maintain capital projects previously funded by FEMA
- In 2018, the Board of Liquidation rolled back 3 mills due to potential audit findings because it was holding too much money in reserve to pay general obligation bond debt service
- The City was not spending its bond revenue fast enough which caused delays in the issuance of new general obligation bonds and, thus, delays in needed improvements in the City
- In 2018, a majority of the members of the board of liquidation voted to reduce the mills levied for the payment of general obligation bond debt service to 22.5

- The proposed 3 mills simply fills that gap, bringing the total levy for capital projects and their maintenance back to the 25.5 mills levied in 2010-2018

| Year | Millage for GO Bonds | Total City Millage |
|------|----------------------|--------------------|
| 2004 | 28.4 | 100.29 |
| 2005 | 28.4 | 100.29 |
| 2006 | 38.2 | 110.09 |
| 2007 | 31.7 | 103.59 |
| 2008 | 23.8 | 77.31 |
| 2009 | 23.8 | 77.78 |
| 2010 | 25.5 | 81.15 |
| 2011 | 25.5 | 88.89 |
| 2012 | 25.5 | 88.89 |
| 2013 | 25.5 | 88.89 |
| 2014 | 25.5 | 88.89 |
| 2015 | 25.5 | 88.89 |
| 2016 | 25.5 | 91.39 |
| 2017 | 25.5 | 91.39 |
| 2018 | 25.5 | 93.69 |
| 2019 | 22.5 | 90.69 |

SLIDE 10: 3 MILLS FOR MAINTENANCE (CONT'D)

- The City has never had a dedicated source of funds to pay for needed maintenance
- Over the years, the millage revenue will:
 - Provide funding for repair and rehabilitation of existing roads and streets and drainage systems
 - Allow the City to purchase items with a life of less than 10 years, such as vehicles, software, and
- These needs cannot be supported by general obligation bond sales
 - Section 3-119 of City Home Rule Charter only allows general obligation bond proceeds to be used for capital projects with a useful life of more than 10 years
- This will properly fund the City's other software and equipment needs in addition to maintaining those assets

SLIDE 11: MILLAGES EXPIRING IN 2021

- In 2021 six millages related to City services totally 11.68 mills are set to expire

- We will work with City Council to determine the best way to re-authorize these millages

| Tax Description | Auth Rate | Levy |
|--|------------------|--------------|
| Library | 4.000 | 3.140 |
| Housing & Economic Development Trust Fund | 2.500 | 1.820 |
| Street & Traffic Control | 1.900 | 1.900 |
| Capital Improvements and Infrastructure Fund | 2.500 | 1.820 |
| Total of Millages Expiring in 2021 | 13.900 | 11.68 |

SLIDE 12: FAIR SHARE AGREEMENT

- The Fair Share Deal provides the City with funding from 11 different revenue sources and requires at least 30 CEAs
- \$51.5M in one-time funding will come from 3 revenue sources, including the Hazard Mitigation Grant Program, funds from the Morial Convention Center, and FEMA Revolver Forgiveness.

- \$26.1M in recurring funding will come from 4 revenue sources, including the Downtown Development District millage, a share of hotel taxes re-directed to the City from NOTMC, the Lost Penny bill, and STR equalization.
- Other funding comes from a combination of a 2020 State appropriation for capital outlay, the deferral of the Sewerage and Water Board's GO Zone repayment, and the estimated payment the City will receive from the Convention Center when the Hotel PILOT becomes operational.

SLIDE 13: FAIR SHARE AGREEMENT

- The Fair Share Deal provides the City with an initial influx of one-time funding.
- This one-time funding will be used to:
 - modernize operations at the Sewerage & Water Board – this includes: necessary improvements to Turbine 6, weatherization of equipment, and improving power stability of the pump system

- Additional one-time funding will be used to provide payments to vendors and create more financial stability within the Sewerage and Water Board.
- The City anticipates beginning to collect recurring funds in late 2019, but additional action from Boards, City Council, the State, and residents of New Orleans will be required.
- 75% of recurring funds will be allocated to the Sewerage and Water Board and the remaining 25% will be allocated to the Department of Public Works.
- Recurring funds will be used to address ongoing infrastructure maintenance, hire staff, and purchase new equipment.

SLIDE 14: FAIR SHARE AGREEMENT TIMELINE

- The coordination of implementation efforts for this agreement will be led by the Chief Administrative Office – and that work has already begun.

- The ongoing implementation of this agreement will involve the hard work and dedication of over 15 City and State Departments and Agencies.
- The complicated nature of this agreement means that the City will need to work hard to ensure the public stays informed – it is equally important for the public to see progress while understanding all of the work that is happening behind the scenes to move these projects forward.
- Over the next few months the City will begin to put procedures in place to collect and distribute funding; enter into Cooperative Endeavor Agreements with partners; work with City Council to pass ordinances, and work with residents to sure passage of the Short Term Rental Equalization tax locally.